

UNC Workgroup 0687 Minutes
Clarification of Supplier of Last Resort Cost Recovery Process
Wednesday 22 May 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Alan Raper	(AR)	Joint Office
Alexander Mann*	(AM)	Gazprom
Andy Clasper	(AC)	Cadent
Brandon Rodrigues*	(BR)	ESP Utilities
Carl Whitehouse*	(CW)	Shell
Dave Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
Edward Fyfe*	(EF)	SGN
Ellie Rogers	(ER)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates Ltd
Guv Dosanjh	(GD)	Cadent
Lorna Lewin*	(LL)	Orsted
Mark Jones	(MJ)	SSE
Megan Coventry*	(MC)	SSE
Michael Lain*	(ML)	E.ON
Nitin Prajapati	(NP)	Cadent
Richard Pomroy	(RP)	Wales & West Utilities
Shardul Pandit*	(SP)	Wales & West Utilities
Steve Britton*	(SB)	Cornwall Insight
Tracey Saunders	(TS)	Northern Gas Networks

*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0687/220519>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 August 2019.

1.0 Introduction and Status Review

Chris Shanley (CS) welcomed everyone to the meeting.

1.1. Approval of Minutes (25 April 2019)

The minutes from the previous meeting were approved

1.2. Review of Outstanding Actions

Action 0401: Total Gas & Power (AG) to amend the Modification to remove the first sentence under the LRSP Process on page 4 of the Modification.

Update: Gareth Evans (GE) confirmed this was actioned. **Closed**

2.0 Consideration of Amended Modification

Gareth Evans (GE) provided a walkthrough of a draft amended Modification for Workgroup consideration. He highlighted the key changes which were in relation to:

- The title
- The purpose of the modification
- LRSP process (page 4) – minor changes
- Solution section – in relation to cost recovery.

3.0 Consideration of Business Rules

Workgroup participants had a discussion about Business Rules 7-9 in relation to cost recovery and the worked examples discussed at the last meeting. GE explained that he had re-visited the Ofgem letter to Octopus Energy in relation to Iresa which was subject to SOLR in July 2018 and thought about how the under-or-over recovery would work in practice. He confirmed that there would be no reconciliation.

Richard Pomroy (RP) suggested that in line with Business Rule 8, Transporters could confirm there will be no reconciliation when charges are set. In addition, he stated that Business Rule 9 implies that under/over recovery of allowed revenue is considered. In response to a question from Dave Addison (DA) about whether this will be at the end of the 12-month period, RP confirmed that adjustments will be made via the 'k' balancing mechanism in the following year.

A brief discussion then took place on how and when the under/over payments will be collected. GE indicated that 12 monthly payments will be recovered by each DNO and for most of the months the charge is likely to be zero if no SOLR costs need to be recovered.

Workgroup participants agreed that the approach outlined in the Modification was sensible but suggested more clarification of the Business Rules in relation to Paragraphs 7-9 would be helpful.

A further discussion took place on Business Rule 8 in the context of miscellaneous pass through charges following a question from RP about whether different parts can be recovered in different ways for example for smart meter roll-out is a different basis permitted? Nitin Prajapati (NP) confirmed that different monies can be recovered by different methodologies but agreed to double-check for miscellaneous pass through charges.

New Action 0501: Cadent (NP) to provide information on how the current process works in relation to miscellaneous pass through of charges, including SOLR. To include how DNOs would take into consideration under/over recovery from the SoLR charge and confirm there is no impact on DNOs overall allowed revenue or any other issues from the proposal.

DA sought more clarification on how the charges will be recovered in practice and to what timescales, suggesting that from a systems perspective that there were 2 areas he would like more clarification on:

The first was a potential inconsistency between Ofgem process and proposed approach in the Modification as the Ofgem value is based on total meter point basis by networks. GE clarified that there will not be a standard charge for each DNO to recover but instead each DNO will levy their own charges based on the proportion of the SOLR costs to be recovered from their applicable MPRNs at that point in time. It was suggested that the Modification provide more clarification on the charges element. The second area was in relation to how the under/over recovery using the 'k' balancing mechanism would work. It was agreed that revenue recovery was a matter for the DNOs to define and should be identified as for information. After a discussion it was clarified that there could be an under/over recovery of the SOLR charge if the number of MPRNs changed after the rate for the SOLR charge was set. GE also clarified

that the charge rate would be the same for each MPRN but the charge could differ by sector (Domestic and I&C).

New Action 0502: Total Gas & Power Ltd (AG)/Waters Wye Associates (GE) to clarify Business Rules 7-9 where appropriate and to clarify a) what is for information within the Business Rules/examples and b) to clarify the SOLR charges process to reflect discussions at the meeting and consider providing a new worked example split by DNOs.

CS summarised the discussion confirming that further information has been suggested in relation to miscellaneous pass through charges including an insight into the DNOs under/over recovery process plus updated rules/worked examples based on Workgroup feedback.

4.0 Review of impacts and Costs

GE asked DA to consider the cost implications and provide a high-level estimate for discussion at the next meeting. DA agreed to provide an informal ROM.

It was suggested that the modification needs to be fully developed before a formal ROM was requested.

5.0 Next Steps

CS confirmed that the next steps are as follows:

- a. Total Gas & Power to provide an amended Modification.
- b. Xoserve to consider impacts on systems and costs and provide an informal Rough Order of Magnitude for discussion at the next meeting.
- c. Consideration of current charging process for SOLR and how the proposal would fit into the overall charging process.

In addition, David Mitchell (DM) agreed to give initial consideration to the development of the Legal Text.

6.0 Any Other Business

None.

7.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30, Thursday 27 June 2019	Elexon, 350 Euston Road, London NW1 3AW	Detail planned agenda items. <ul style="list-style-type: none">• Amended Modification• Consideration of Business Rules• Review of Impacts and Costs• Consideration of Wider Industry Impacts• Consideration of draft Legal Text

Action Table (as at 22 May 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0401	24/04/19	1.0	Total Gas & Power (AG) to amend the Modification to remove the first sentence under the LRSP Process on page 4 of the Modification.	Total Gas & Power (AG)	Closed
0501	22/05/19	3.0	Cadent (NP) to provide information on how the current process works in relation to miscellaneous pass through of charges, including SOLR. To include how DNOs would take into consideration under/over recovery from the SoLR charge and confirm there is no impact on DNOs overall allowed revenue or any other issues from the proposal.	Cadent (NP)	Pending
0502	22/05/19	3.0	Total Gas & Power Ltd (AG)/Waters Wye Associates (GE) to clarify Business Rules 7-9 where appropriate and to clarify a) what is for information within the Business Rules/examples and b) to clarify the SOLR charges process to reflect discussions at the meeting and consider providing a new worked example split by DNOs.	Total Gas & Power Ltd (AG)/Waters Wye Associates (GE)	Pending